

Senate Committee on Rules and Administration

Testimony of

**Roger W. Sant
Chair, Executive Committee
Board of Regents**

Smithsonian Institution

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I am pleased to be here today to report on the recent actions taken by the Board of Regents to improve the governance and management at the Smithsonian. I have been on the Smithsonian's Board of Regents since October 2001 and I currently serve as Chair of the Executive Committee. I am also the Chairman of The Summit Foundation.

When I testified before this Committee on April 11, I described steps initiated by the Board of Regents to address concerns expressed by the Congress and the public over compensation and spending practices by the former Secretary and the Regents' oversight of the Smithsonian. These steps included the creation of two new Committees on March 19 to address governance and management issues. The first was a Governance Committee, a standing Board Committee charged with reviewing the Smithsonian's governance in light of best practices in the nonprofit sector and making recommendations to the Board about how to address weaknesses in policies and practices and strengthen governance and management. The second was a special purpose Independent Review Committee ("IRC") charged with looking at issues relating to former Secretary Small's compensation and expenses, the Regents' response to an Inspector General audit of the former Secretary, and other management and governance matters raised by Senator Grassley. This Committee requested at the April 11 hearing that we provide reports in the areas of governance, transparency, compensation and oversight. The reports of Governance and IRC Committees respond directly to these requests.

Both Committees worked intensively to carry out their mandates. Although they operated independently, the two Committees reached remarkably similar conclusions about weaknesses in the Smithsonian's governance and management. On June 18, the Board of Regents adopted a series of concrete recommendations to address those weaknesses and to strengthen governance and management at the Smithsonian. Developed by the Governance Committee, these recommendations were also informed by the IRC's presentation to the Regents on June 11.

The Governance Committee, under the extraordinary leadership of Regent Patty Stonesifer, included fellow Regents Congresswoman Doris Matsui, Robert Kogod and Walter Massey (a former Regent whose term is pending reappointment) and non-Regent Diana Aviv, President and CEO of Independent Sector. Following its creation, the Committee met at least weekly to review the Smithsonian's existing governance and management practices against best practices in the nonprofit sector. The Committee's "Blueprint for Better Governance" presented

to the Board of Regents begins with an important statement of three guiding principles for (1) reinforcing the Institution's foundation of integrity and responsibility, (2) promoting a constructive partnership between the Board of Regents and the Secretary, and (3) strengthening the Institution's culture of accountability. The Blueprint then sets out 25 concrete recommendations for changes to the Institution's governance and management practices and processes. The Board of Regents adopted all of these recommendations. A copy of the Governance Committee's report and recommendations is attached.

The IRC was chaired by Charles A. Bowsher, the former Comptroller General of the United States and also included Stephen D. Potts, chairman of the Ethics Resource and former director of the U.S. Office of Government Ethics and A.W. "Pete" Smith, Jr., former CEO of the Private Sector Council and past president and CEO of Watson Wyatt Worldwide. The IRC conducted an intensive investigation into issues involving the compensation and spending of former Secretary Small and other governance and management practices of the Smithsonian. The investigation included interviews with current and former Regents, current and former employees and other stakeholders, along with a review of more than 15,000 pages of documents. The IRC transmitted its final report to the Board of Regents on June 18.

The Regents were sobered by the IRC report, which found a significant number of weaknesses in the Institution's practices. At the same time, we appreciated the IRC's thoughtful recommendations and were encouraged that the IRC's recommendations were so closely aligned with those of the Governance Committee. Some of the important common recommendations of the Governance Committee and the IRC include the following:

- Smithsonian executives should not be permitted to serve on the boards of for-profit corporations;
- the leave policy for all employees should follow federal employee policies;
- the Compensation and Human Resources Committee should follow a more rigorous compensation process for the Secretary and senior management;
- the Smithsonian should adopt policies to promote openness, transparency and effective governance consistent with federal statutes such as FOIA;
- the positions of the Chancellor and the Chair of the Board should be separated;
- the Smithsonian should adopt a unified salary philosophy and structure to the extent possible;
- internal financial controls should be strengthened; and
- the functions and roles of the General Counsel, Chief Financial Officer and Inspector General should be strengthened.

I am extremely grateful to the members of the Governance Committee and the IRC for their work. Both reports will be enduring contributions to strengthening the governance and

management of the Smithsonian. By adopting the Governance Committee recommendations, I believe the Smithsonian is addressing the concerns of the IRC. The Board of Regents hopes that its recent actions will begin to restore the trust of the Congress and the American people in the governance and management of the Institution. We recognize that we still have much important work ahead, including implementing the governance reforms approved by the Board of Regents, selecting a new Secretary and working with Congress to solve the facilities revitalization issue. Regent Robert Kogod has been appointed chair of a new Board Committee on Facilities Revitalization and is preparing a submission for this Committee's review. We greatly appreciate the Committee's focus on this facilities issue.

After my fellow panel members speak, I would be happy to answer any questions you have. Thank you Madame Chairman and Members of the Committee.